

FY2021

**1st Quarter Earnings Presentation
(Apr. 2021 – Jun. 2021)**

August 13th, 2021



SPARX Group Co., Ltd.

<https://www.sparxgroup.com/>

Mission

**To make the world wealthier,
healthier, and happier**

Vision

**To be the most trusted and respected
investment company in the world.**

FY2021 Q1 Performance

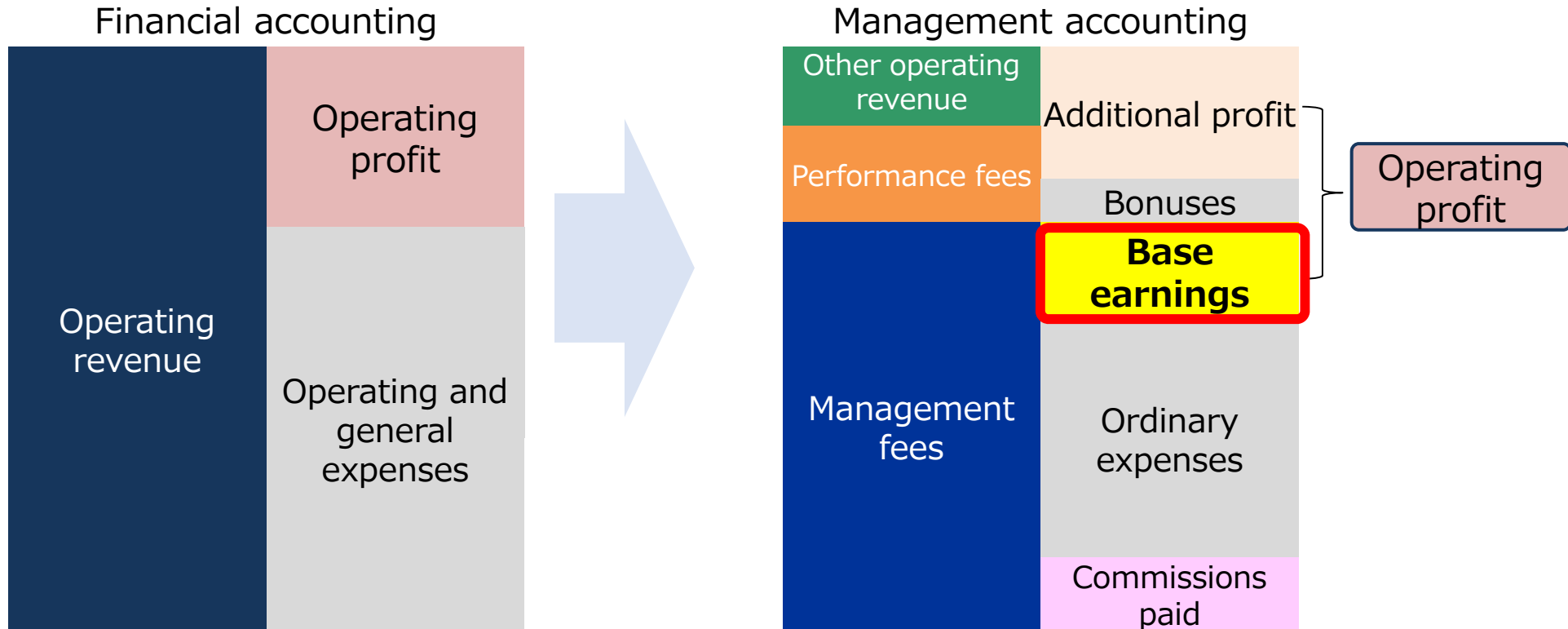
About This Earnings Presentation

This earnings presentation provides management accounting details not included in the consolidated statement. Note that, as shown in the following diagram, SPARX categorizes (1) management fees, (2) performance fees, and (3) other operating revenue, while (1) ordinary expenses, (2) commissions paid, and (3) bonuses are included in operating and general expenses.

SPARX Group has set **base earnings** as its overriding administrative index. Base earnings demonstrate whether a business has the earning capacity needed for a sustainable, stable foundation. We use the following formula to calculate base earnings:

$$\text{Base earnings} = (\text{Management fees} - \text{Commissions paid}) - \text{Ordinary expenses}$$
$$= \text{Management fees (after deducting commissions)} - \text{Ordinary expenses}$$

In financial accounting, operating profit includes one-time or additional performance fees, but these fees fluctuate considerably, according to trends in the stock market or business progress in real asset investments. Therefore, **base earnings indicate genuine earning capacity.**



Consolidated Earnings Summary (1) Performance



• Consolidated below figures increased significantly mainly due to an increase in AUM compared to the same period of the previous year.

(Unit:Millions of yen)	FY2020	FY2021	YoY change
	Apr.2020-Jun.2020	Apr.2021-Jun.2021	
Operating revenue	2,709	3,311	+22.2%
Operating profit	926	1,470	+58.6%
Net income	528	1,064	+101.2%
Base earnings	925	1,443	+56.0%

(Note) See pages 4, 6, 32, and 37 for more on base earnings.

Consolidated Earnings Summary (2) Performance



		FY2020		FY2021	
		Apr.2020-Jun.2020	Full Year	Apr.2021-Jun.2021	YoY change
Average AUM	(Billions of yen)	1,215.7	1,343.8	1,530.6	+25.9%
Management fee rate	(%)	0.70%	0.69%	0.68%	-0.02
(After deducting commissions)					
Management fees	(Millions of yen)	2,128	9,293	2,620	+23.1%
(After deducting commissions)					
- Ordinary expenses	(Millions of yen)	1,203	4,848	1,176	-2.2%
Base earnings	(Millions of yen)	925	4,444	1,443	+56.0%
Performance fees	(Millions of yen)	162	3,166	252	+55.2%
Percentage of AUM eligible to earn performance fees	(%)	33.5%	32.5%	33.2%	-0.3
Other operating revenue	(Millions of yen)	39	206	59	+52.3%
- Bonuses	(Millions of yen)	200	1,406	283	+41.5%
(including ESOP Expense)					
Operating profit	(Millions of yen)	926	6,349	1,470	+58.6%
Profit attributable to owners of parent	(Millions of yen)	528	3,468	1,064	+101.2%
Return on equity (ROE)	(%)	10.9%	16.1%	18.7%	+7.8

(Note 1) Management fees include administrative fees for the power stations related to our Japanese Renewable Energy Investment Strategy. This note applies throughout this presentation.

(Note 2) Performance fees include one-time fees received as compensation for real estate purchases/sales related to our Japanese real estate investment strategy, as well as one-time fees (acquisition fees) received as compensation for formulating power station plans related to our Japanese Renewable Energy Investment Strategy. This note applies throughout this presentation.

Consolidated Earnings Summary (3) AUM



Although there was new subscriptions, AUM increased slightly from last fiscal year-end due to the market influence and other factors.

(Unit: Billions of yen)	AUM			Average AUM (3 months)		
	As of March, 2021	As of June, 2021	Change (%)	FY2020Q1	FY2021Q1	YoY change (%)
Japanese Equity	1,030.2	1,046.0	+1.5%	823.3	1,026.1	+24.6%
OneAsia	134.3	136.7	+1.7%	61.0	134.6	+120.7%
Real Assets	255.3	253.8	-0.6%	212.7	253.7	+19.3%
Private Equity(Mirai Creation, etc.)	115.7	116.2	+0.4%	118.6	116.0	-2.2%
Total	1,535.7	1,552.8	+1.1%	1,215.7	1,530.6	+25.9%

	As of June, 2020	As of March, 2021	As of June, 2021	YoY change
TOPIX	1,558	1,954	1,943	+24.7%
NIKKEI 225 (JPY)	22,288	29,178	28,791	+29.2%
KOSPI	2,108	3,061	3,296	+56.4%

*See our "Notice of Month-End Assets Under Management" for details on SPARX's AUM as of June 30, 2021.

<https://ssl4.eir-parts.net/doc/8739/tdnet/1998645/00.pdf>

Business Progress Report and Future Plans

Japanese Equity

AUM for the long-short investment strategy is gradually increasing. Performance fees for this strategy positively contributed in this quarterly accounting period as well.

OneAsia

In recognition of our outstanding performance, we received additional commitment in February 2021 from a major public institutional investor in Europe. We will continue to communicate with oversea investors.

Real Assets

We will aggressively work on projects other than solar power as well. We will also continue to actively consider investing in high-quality power plants that have already been operated.

Private Equity

We have established Mirai Creation Fund III. Just like the previous Fund II, Toyota Motor Corporation and Sumitomo Mitsui banking Corporation are to participate again as the initial investors. Investment activities for this Fund III are scheduled to begin from October 2021 with the new investment area.

Four Pillars of Growth: Combining High Profitability and Stability



High
profitability

Fund performance generates significant income
(performance fees)

Stability

Ongoing long-term contracts generate stable income

**JPY1,046.0
billion**

Japanese
Equity

OneAsia

**JPY136.7
billion**

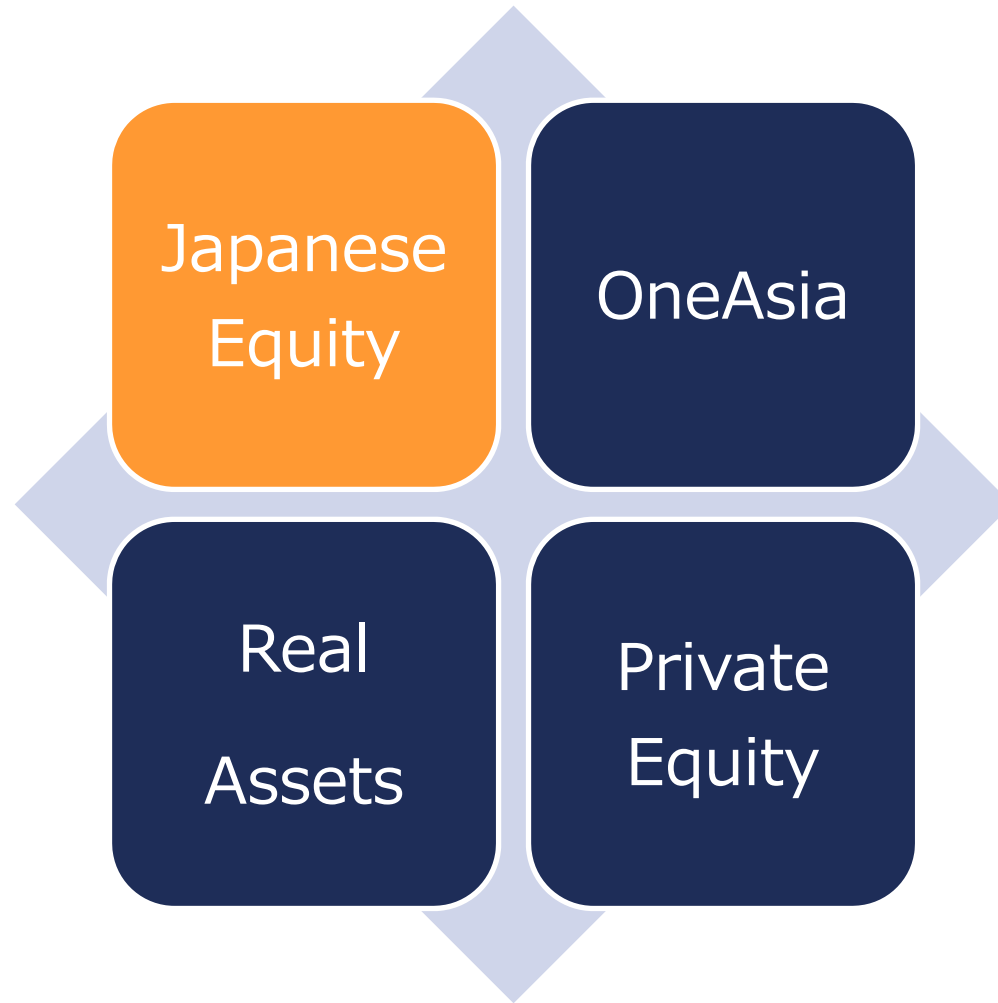
**JPY253.8
billion**

Real
Assets

Private
Equity

**JPY116.2
billion**

(1) Japanese Equity Investment Strategy (AUM of JPY 1,046.0 billion as of June 30, 2021)





Investment Trusts 20-Year/ Japanese Mid and Small Caps Equity Fund category: The First Prize
SPARX Japan Small Cap Fund (“Rising Sun”)



Investment Trusts 10-Year/ Japanese Equity Core Fund category: The First Prize



Investment Trusts /Japanese Equity Fund category: The Second Prize
SPARX New Global Blue Chip Japanese Equity Fund (“Gensentoshi”) **won this award for three consecutive years**

(Reference) <https://ssl4.eir-parts.net/doc/8739/tdnet/1818600/00.pdf>

The R&I Fund Award is presented to provide reference information based on the past data R&I believes to be reliable (however, its accuracy and completeness are not guaranteed by R&I) and is not intended to recommend the purchase, sale or holding of particular products or guarantee their future performance. The Award is not the Credit Rating Business, but one of the Other Lines of Business (businesses excluding Credit Rating Business and also excluding the Ancillary Businesses) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities. Intellectual property rights including copyright and all other rights in this Award are the sole property of R&I, and any unauthorized copying, reproduction and so forth are prohibited.

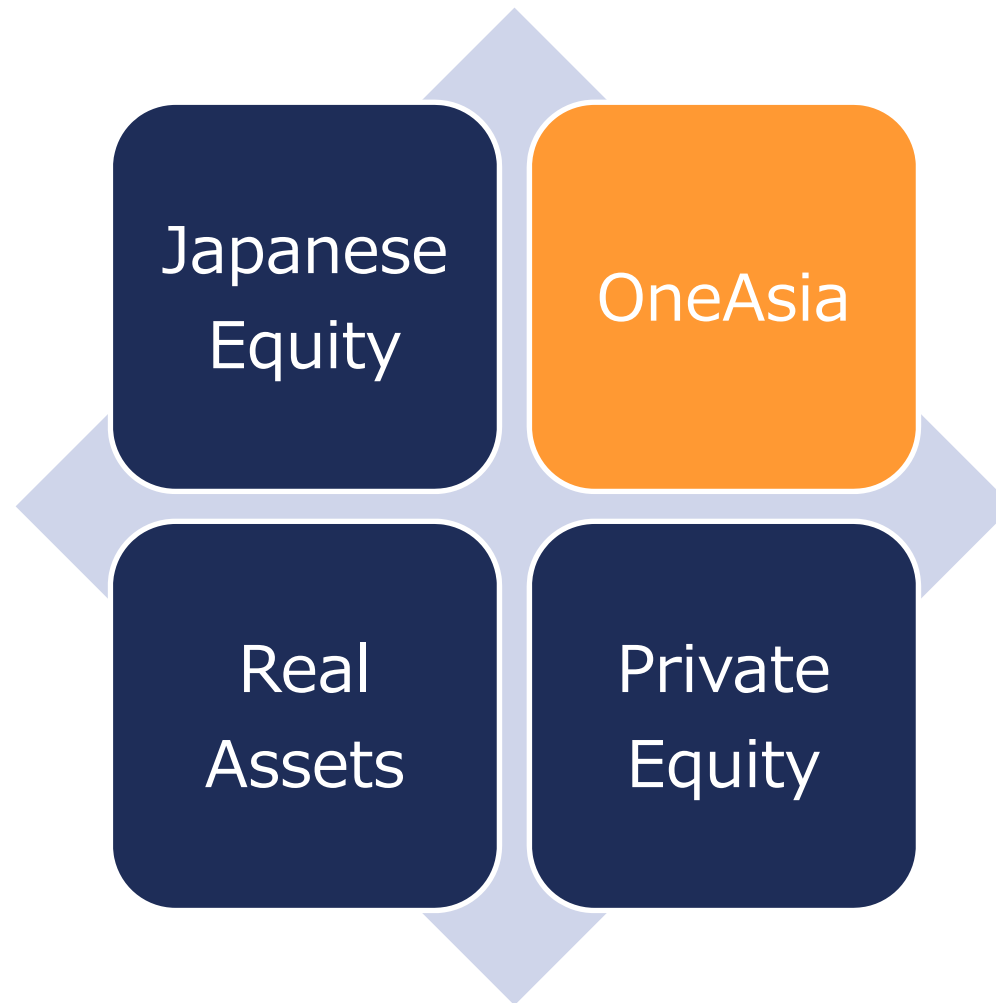
Japanese Equity Investment Strategy: Status of AUM



- AUM for Japanese equity long-short investment strategy increased significantly from the end of the previous fiscal year due to subscriptions for the newly established funds.
- AUM of Japanese equity sustainable investment strategy mainly consisted of ESG investment increased from the end of the previous fiscal year due to its favorable performance and cash inflows.

(Units : Billions of yen)	AUM			
	Mar. 2021	Jun. 2021	Change	Change (%)
Japanese Equity Long-Short Strategy	78.4	94.1	+15.6	+20.0%
Japanese Equity Focus All Cap Strategy	611.2	609.0	-2.2	-0.4%
Japanese Equity Mid & Small Cap Strategy	193.0	192.6	-0.4	-0.2%
Japanese Equity Market Neutral Strategy	38.1	34.8	-3.2	-8.6%
Japanese Equity Sustainable Strategy	106.9	113.0	+6.1	+5.7%
Other	2.5	2.4	+0.0	-2.7%
Total	1,030.2	1,046.0	+15.7	+1.5%

(2) OneAsia Equity Investment Strategy (AUM of JPY 136.7 billion as of June 30, 2021)



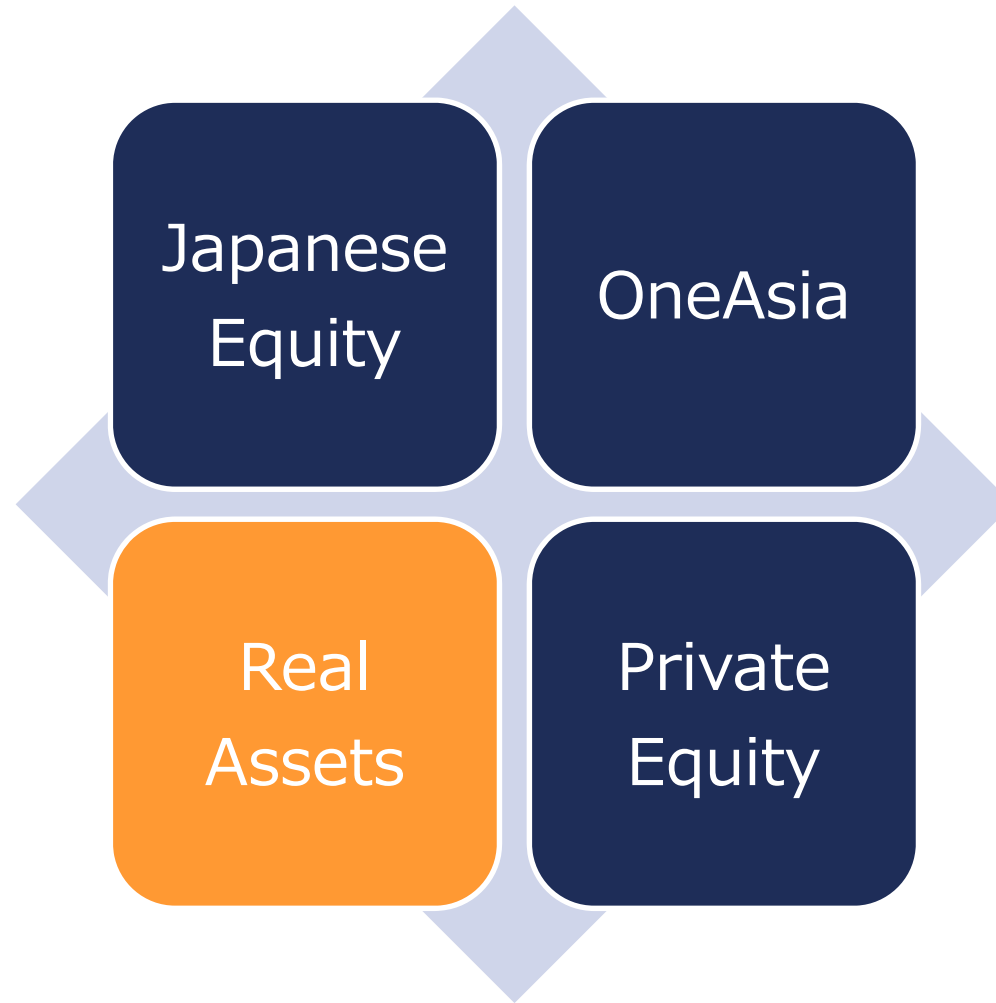
OneAsia Equity Investment Strategy Status of AUM



AUM increased from the previous fiscal year-end due to the impact of favorable performance despite the capital outflows in both South Korea and Pan-Asia regions.

(Units : Billions of yen)	AUM			
	Mar. 2021	Jun. 2021	Change	Change (%)
South Korea	120.8	122.6	+1.8	+1.5%
Pan-Asia	13.5	14.0	+0.5	+3.9%
Total	134.3	136.7	+2.3	+1.7%

(3) Real Asset Investment Strategy (AUM of JPY253.8 billion as of June 30, 2021)



Assets under management

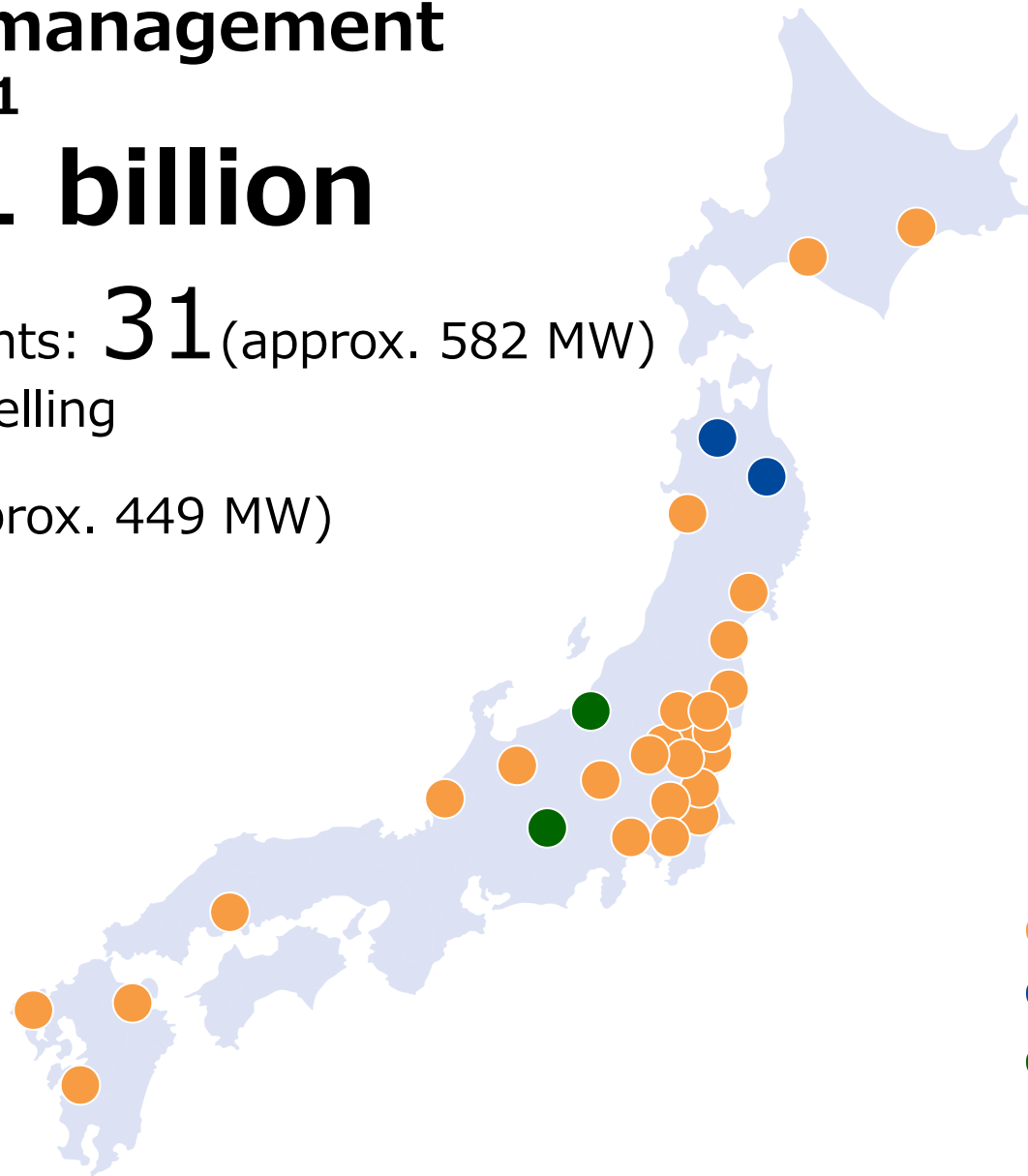
As of June 30, 2021

JPY 241.1 billion

Number of Investments: **31** (approx. 582 MW)

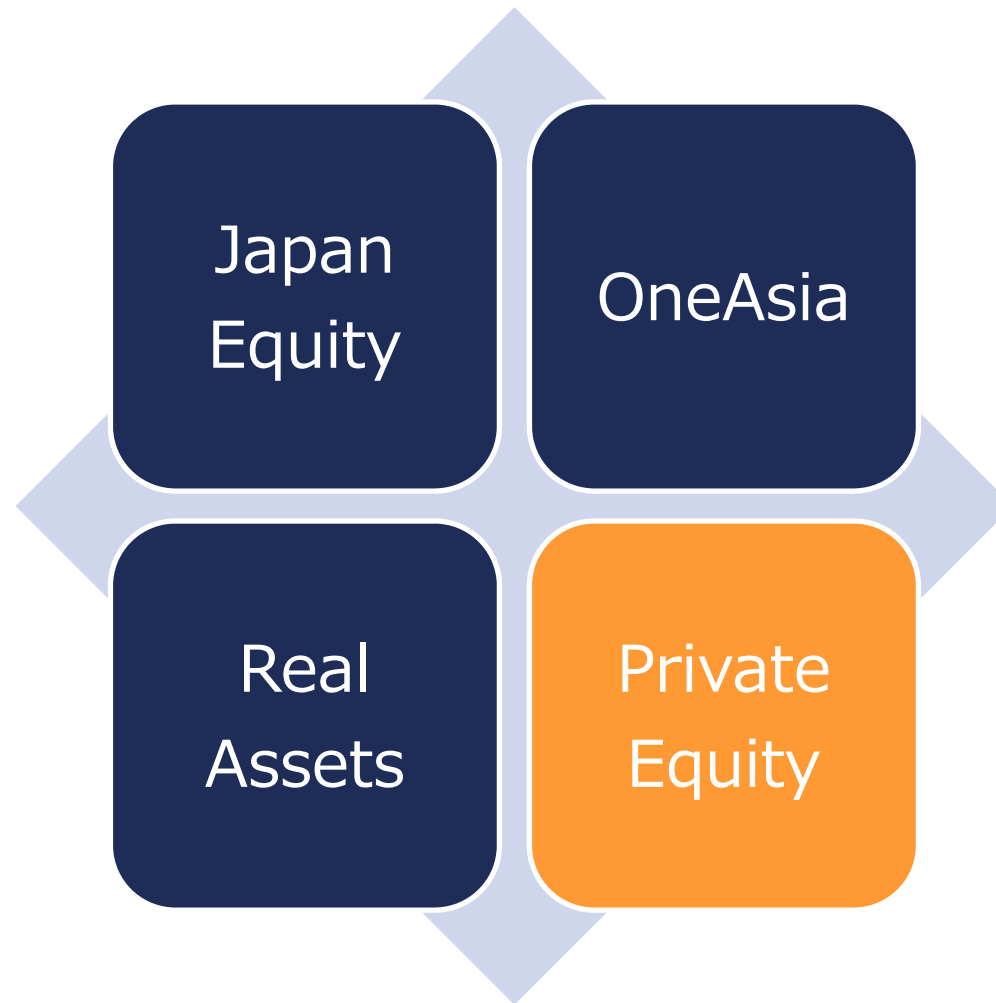
Number of stations selling

electricity: **26** (approx. 449 MW)



- Solar power generation
- Wind power generation
- Biomass power generation

(4) Private Equity Investment Strategy (AUM of JPY116.2 billion as of June 30, 2021)



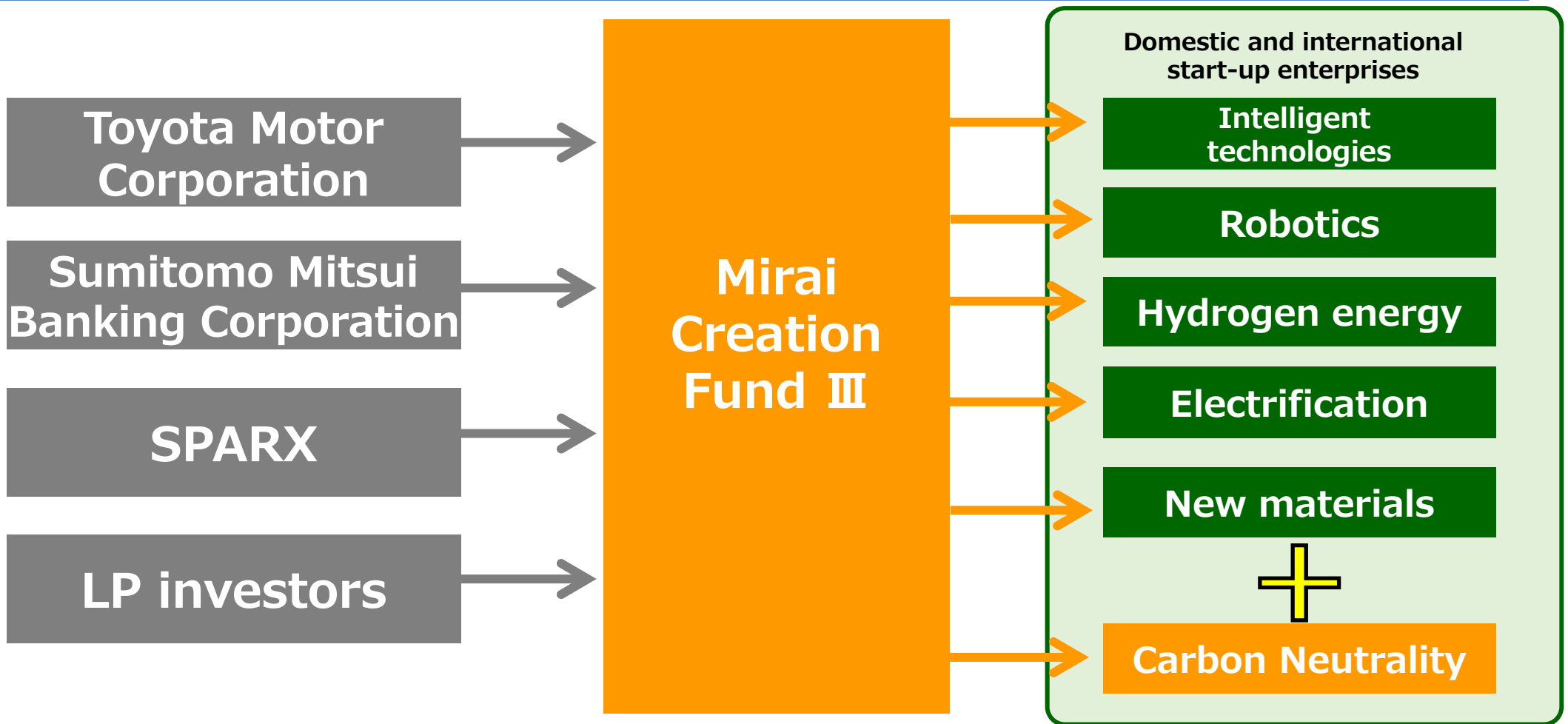
(Note) Regarding Mirai Creation Fund I, as five years have passed since its establishment, the balance compensation calculation target has changed from the commitment amount to the balance of investment securities held from November 2020, so AUM The balance of is decreasing.

Private Equity Investment Strategy (1)



Established “Mirai Creation Fund III”

Toyota Motor Corporation and SMBC are to participate again as initial investors just like the previous fund II. Adding the new investment area, the investment activities are scheduled to begin from October 2021.



Private Equity Investment Strategy (2)



Mirai Creation Fund II is making steady progress and full investment has come in sight.

Mirai Creation Fund II

AUM as of June, 2021

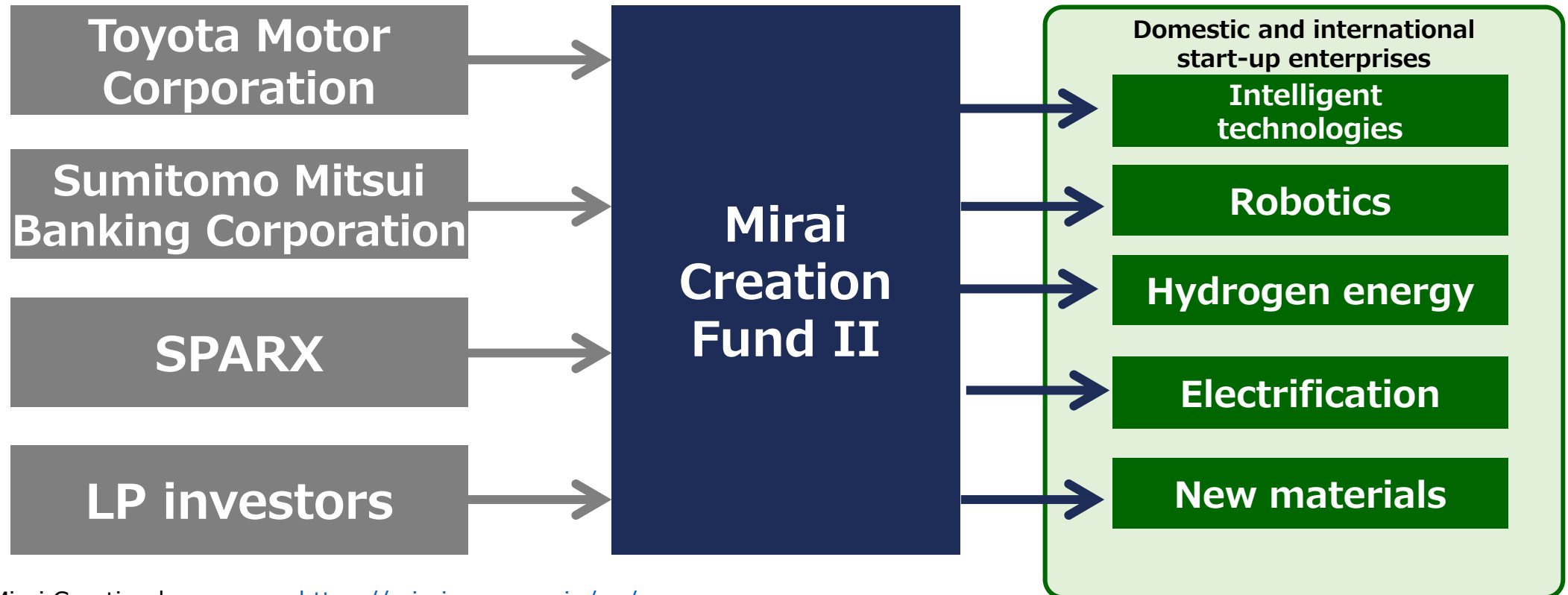
72.6 Billion JPY

At the end of March 2021
Executed Amount

69 Projects
46.9 Billion JPY

At the end of June 2021
Executed Amount

72 Projects
50.2 Billion JPY



Mirai Creation Fund Portfolio status

Examples of past IPOs and exits

- Soracom, Inc. (acquired by a major corporation in August 2017)
- PKSHA Technology, Inc. (listed in September 2017)
- Autonomous Control Systems Laboratory (listed in December 2018)
- Sansan, Inc. (listed in June 2019)
- Giftee, Inc. (listed in September 2019)
- Freee, K.K. (listed in December 2019)
- Medley, Inc. (listed in December 2019)
- Fichra Inc. (listed in June 2020)
- Neural Pocket Inc. (listed in August 2020)
- WealthNavi Inc. (listed in December 2020) etc.

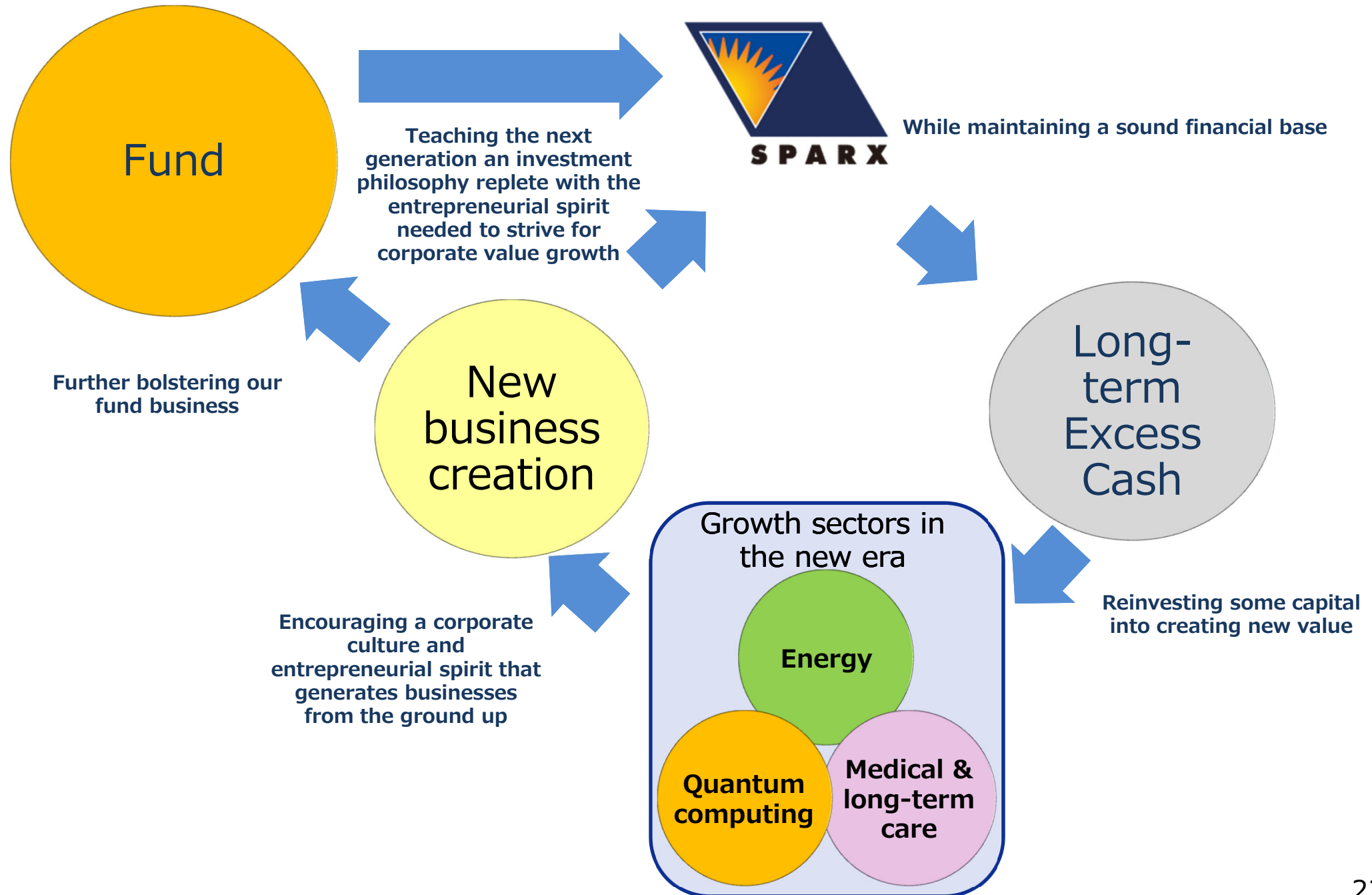


Going forward, we will continue to see more portfolio companies newly listed or acquired by major corporations



In the future, a mechanism that allows a performance fee to be recorded if the investment principal can be distributed to LP investors in excess of a certain percentage.

(Note) We expect Mirai Creation Fund I to begin earning performance fees from 2022 on.



Other

Return to Shareholders – Stock Buyback



Conducive to our goal of expanding shareholder returns, we are issuing a stock buyback, which should allow us to improve capital efficiency and execute a capital strategy that flexibly meets the demands of our business environment.

(1) Type of shares acquired	Shares of common stock of SPARX Group Co., Ltd.
(2) Total number of shares acquired	1,000,000 shares (0.49% of total issued common stock (excluding treasury stock))
(3) Total price of shares acquired	250,000,000 yen
(4) Period of stock acquisition	From August 2, 2021 through September 30, 2021

(Reference) <https://ssl4.eir-parts.net/doc/8739/tdnet/2007106/00.pdf>

About Future Goals



SPARX will double the AUM of the four pillars of growth to 3 trillion yen over the five years through 2026.

Japan Equity

- Strengthen our initiatives for highly profitable alternative products such as long-short strategies and engagement strategies, which are re-expanding with a target of approximately 100 billion of assets under management.
- The sustainable investment strategy, which has doubled its AUM this year, continues to receive strong interests from overseas institutional investors. We maintain our high-quality stable performance for this strategy rather than just blindly chasing bigger numbers for AUM and would like to double AUM even more.

OneAsia

- SPARX will make our Asian investment business to be the same size or even bigger than our Japanese equity business by building a multi-layered and high quality investment system over times.

Real Assets

- While shifting the focus of development to power plants that are expected to continue to have high investment returns such as solar power, biomass and geothermal power, we also intend to aggressively develop investment strategies such as green hydrogen and corporate PPA for after the feed-in tariff system ends.

Private Equity

- Aim to launch a new fund with investment target that includes companies contributing to "carbon neutral"
- In near future, performance fee will be recorded as a part of the gain on sale due to the IPO of the company invested by the Mirai Creation Fund, so we will continue to focus on sales activities to maximize its performance fee.
- Steadily invest in portfolio companies for the Space Frontier Fund and the Japan Monozukuri Mirai Fund.

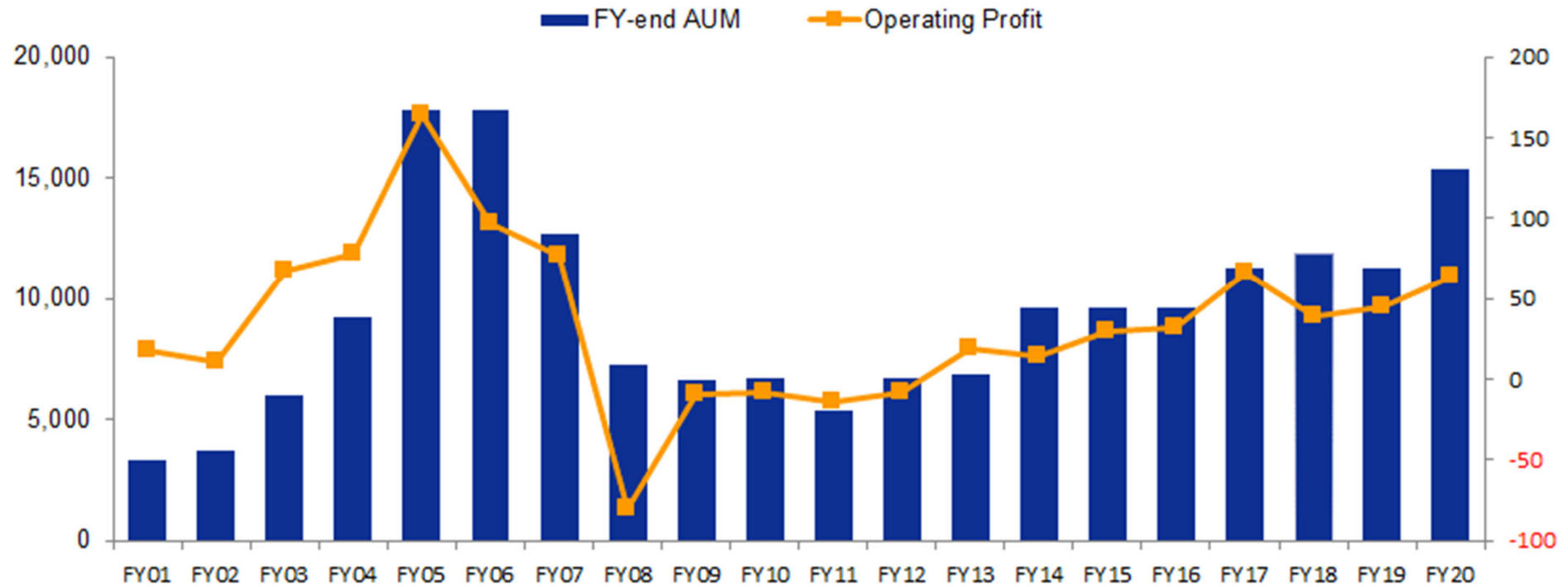
In addition to the above goals for four pillars



New Area

- Under a conservative financial management policy with a certain level of seeding and within Group resources, we will further promote our unique investments in fields of the new era's growth areas that utilize AI technologies such as energy, medical and nursing care, and finance which are linked to new tools like quantum computing. This unique investments will contribute to the improvement of our group ROE.

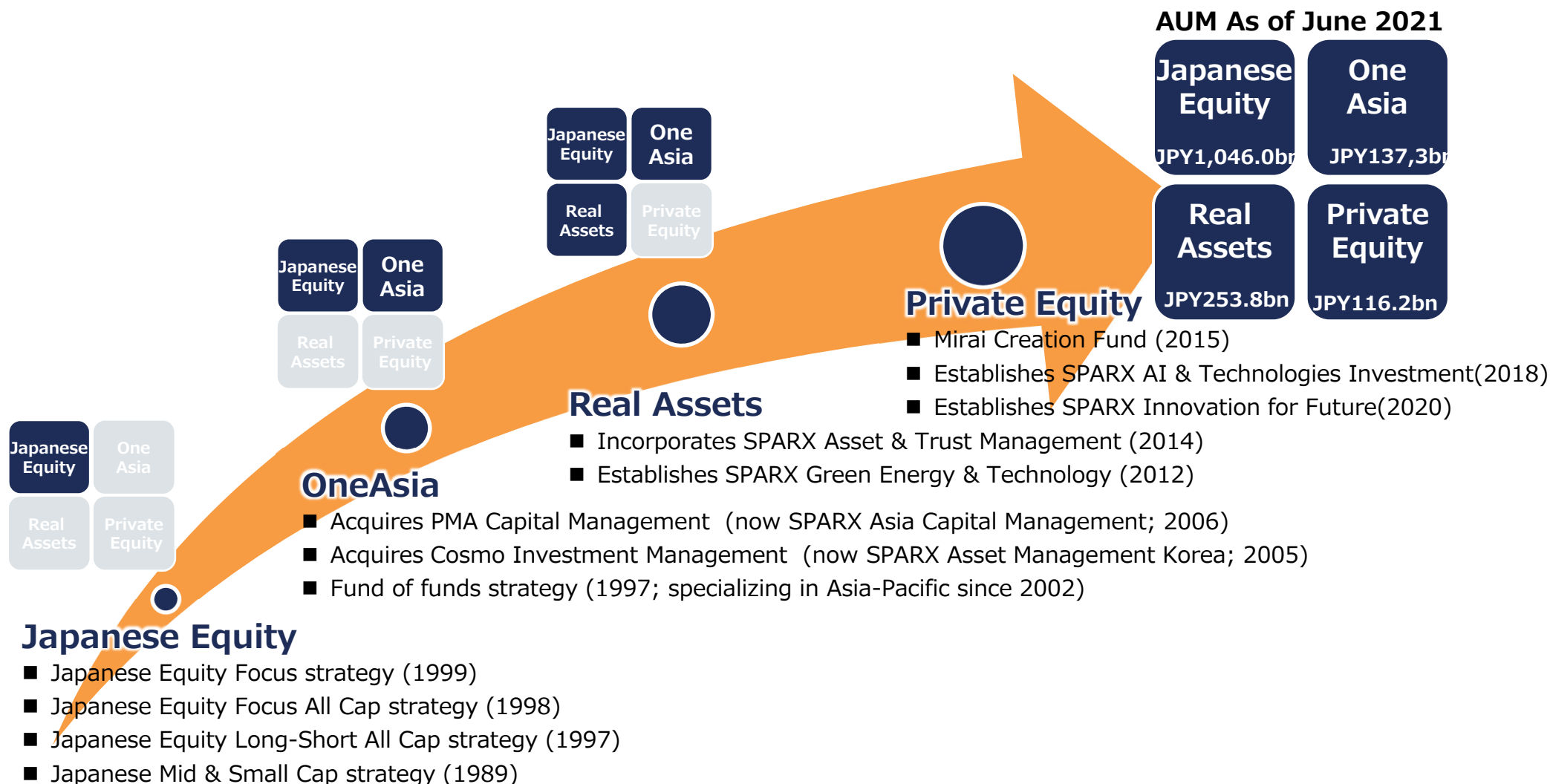
<Reference> Changes in AUM and operating profit since its listing



[Reference] Hybrid Business Model



A hybrid model that combines our traditional strategy of investing in highly profitable listed stocks with the stable strategy of financing real assets/Private Equity



Market swings have a significant impact

Diversified strategy leads to increased stability

What is the Buffett Club?

Through studying and discussing the investment philosophies of noted investor Warren Buffett and other capitalists, SPARX employees learn the value of wanting to make clients wealthier, healthier, and happier as a part of “the most trusted and respected investment company in the world.”

We have regularly held these study groups since our founding as a way to convey SPARX's investment philosophy to the next generation.



We have produced a new video that highlights the company's history—including the reason for its name—as well as its investment philosophy, corporate mission, performance, and its present and future endeavors, in just five minutes.

- SPARX Group Showcase Video/English Narration

<https://www.sparx.jp/tv/fan/2881.html>

We distribute videos and send information via Facebook so that you can better understand the activities of SPARX. The official SPARX YouTube was fully renewed in December last year, and we are working to convey the new appeal of our company. Thank you for visiting us.

- SPARX TV

<https://www.sparx.jp/tv/>

- Official Facebook

<https://www.facebook.com/SPARXGroup/>

- Official YouTube

<https://www.youtube.com/user/8739SPARX>

Company	SPARX Group Co., Ltd.
Representative	President & CEO Shuhei Abe
Address	1-2-70 Konan, Minato, Tokyo, Japan
Founded	July 1, 1989
Capitalization	JPY8,587 million (as of June 30, 2021)
Employees	176 (as of June 30, 2021)
Exchange	Tokyo Stock Exchange First Section
Ticker	8739



President and Group CEO Shuhei Abe

- 1954: Born in Sapporo.
- 1978: Graduated from Sophia University, Faculty of Economics.
- 1980: Received an MBA from Babson College. After returning to Japan, hired by Nomura Research Institute, Ltd. Worked as a corporate research analyst evaluating individual companies listed on Japanese stock markets.
- 1982: Seconded to New York's Nomura Securities International, Inc., and worked in sales of Japanese stocks to US institutional investors.
- 1985: Founded Abe Capital Research in New York. Provided portfolio management and advice on Japanese stocks to European and American investors through the Quantum Fund and other funds, while managing the assets of individual property owners in Europe and the US.
- 1989: After returning to Japan, established SPARX Asset Management (now SPARX Group Co., Ltd.) and appointed as president & representative director (current post).
- 2005: Completed the AMP at Harvard Business School.
- 2011: Appointed to the Subcommittee to Study Costs and Other Issues of the Japanese government's Energy and Environment Council.
- 2012: Appointed to the Japanese government's Supply-Demand Verification Subcommittee.
- 2012: Appointed to the Risk Advisory Committee for the Japan Bank for International Cooperation (JBIC).

Supplementary Materials

Business that receives fees at a fixed rate of AUM

Revenue Structure

- Management Fees = $AUM \times \text{management fee rate}$
- Performance Fees = $AUM \times \text{percentage of AUM eligible to earn performance fees} \times \text{performance fee rate}$

Important Management Indicators

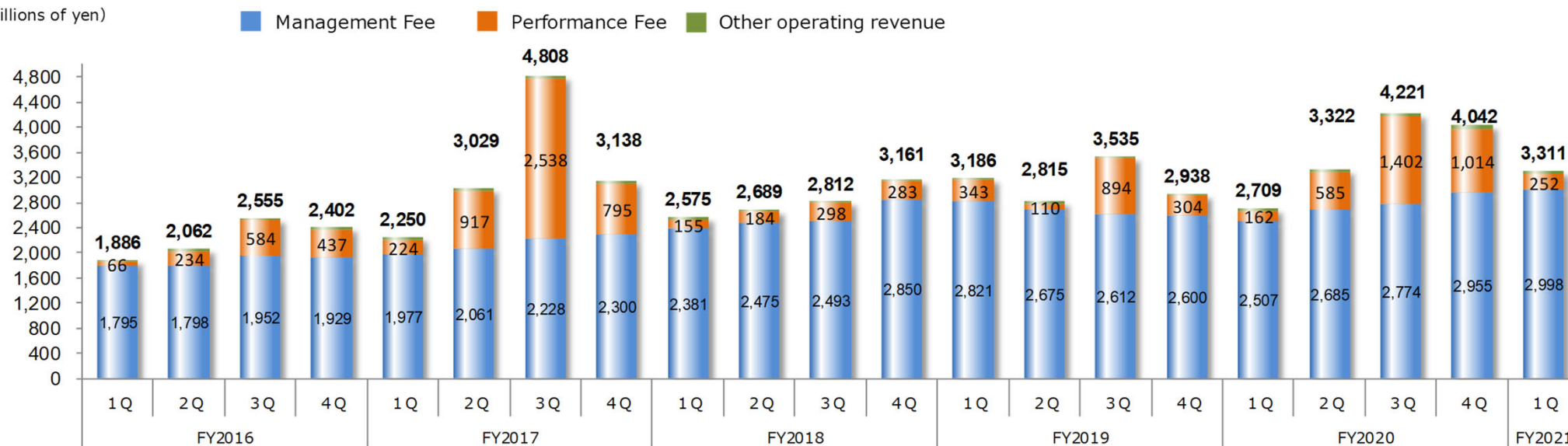
- Asset under management (AUM)
- Management fee rate
- Percentage of AUM eligible to earn performance fees
- Base Earnings = management fees (after deducting commissions) - ordinary expenses

Quarterly Trends in Operating Revenue



Management fee remains strong, and performance fee has also increased compared to the same period of the previous year

(Millions of yen)



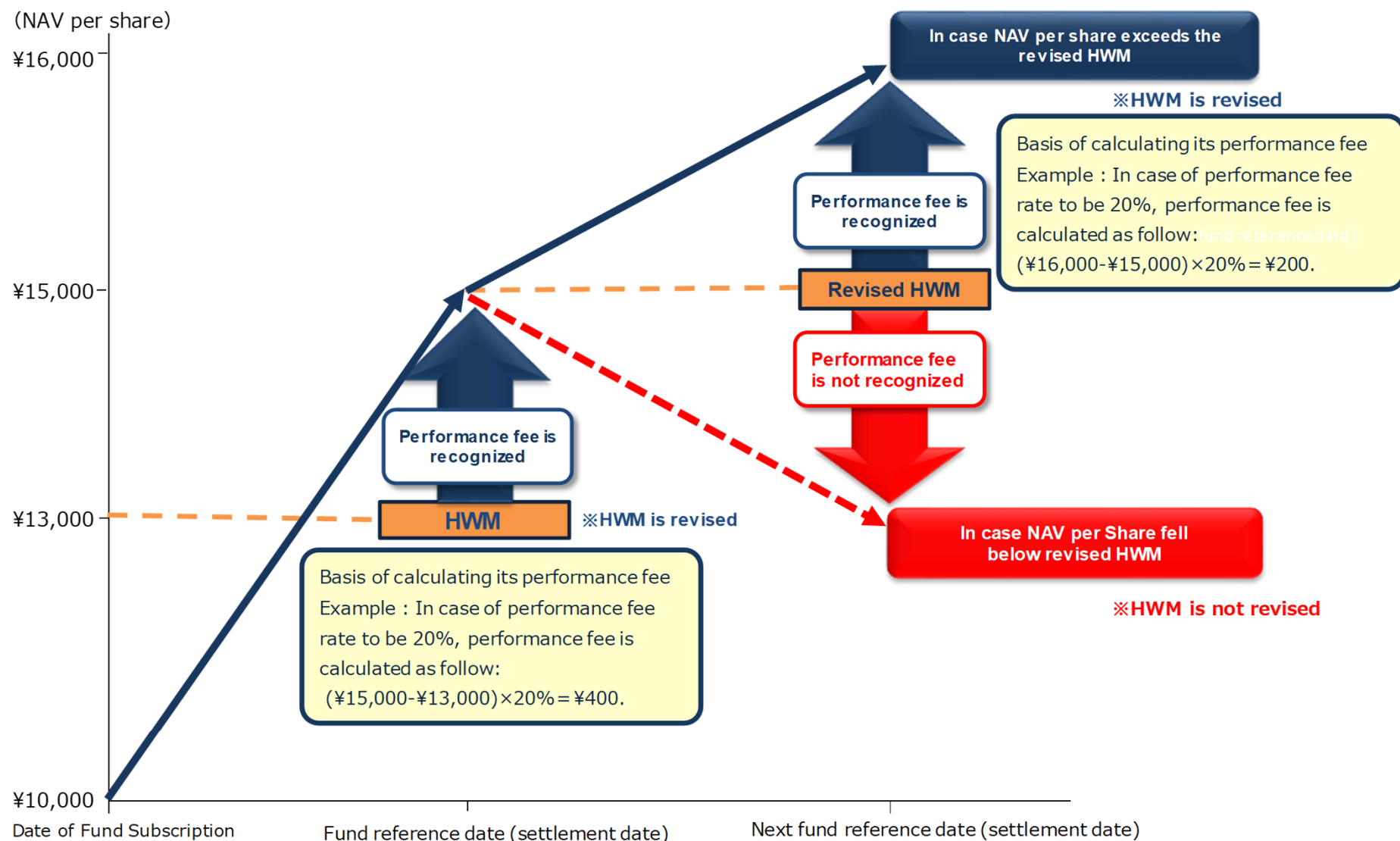
(Millions of yen)	FY2016				FY2017				FY2018				FY2019				FY2020				FY2021
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Management Fees	1,795	1,798	1,952	1,929	1,977	2,061	2,228	2,300	2,381	2,475	2,493	2,850	2,821	2,675	2,612	2,600	2,507	2,685	2,774	2,955	2,998
Performance Fees	66	234	584	437	224	917	2,538	795	155	184	298	283	343	110	894	304	162	585	1,402	1,014	252
Other operating revenue	24	28	18	35	48	50	41	42	38	28	20	27	22	29	28	33	39	51	43	72	59
Operating Revenue	1,886	2,062	2,555	2,402	2,250	3,029	4,808	3,138	2,575	2,689	2,812	3,161	3,186	2,815	3,535	2,938	2,709	3,322	4,221	4,042	3,311

(Reference)

Average AUM (Billions of yen) (3months average)	923.3	927.0	970.3	963.1	1,001.8	1,062.7	1,177.3	1,133.9	1,131.0	1,151.0	1,159.8	1,186.9	1,180.1	1,153.6	1,229.0	1,173.4	1,215.7	1,278.3	1,388.4	1,492.9	1,530.6
Management fee rate (3months average) (After deducting commissions)	0.67%	0.67%	0.70%	0.70%	0.68%	0.68%	0.66%	0.69%	0.71%	0.71%	0.71%	0.79%	0.79%	0.76%	0.70%	0.74%	0.70%	0.72%	0.68%	0.67%	0.68%
Percentage of AUM eligible to earn performance fees	39.8%	41.8%	39.2%	36.4%	35.0%	34.2%	32.1%	25.4%	27.2%	25.4%	30.1%	30.2%	31.0%	31.0%	29.9%	33.5%	33.5%	34.1%	31.1%	32.5%	33.2%
NIKKEI stock average (Record date)	15,575	16,449	19,114	18,909	20,033	20,356	22,764	21,454	22,304	24,120	20,014	21,205	21,275	21,755	23,656	18,917	22,288	23,185	27,444	29,178	28,791

Structure of Performance Fees (Related to Equity Investment Fund)

Performance Fees are recognized for NAV per share exceeding HWM as of record date for fund



(Note 1)The structure described above is only informational purpose on performance fee structure. It is not intended to explain exactly how the performance fee is calculated based on fund's NAV.

(Note 2)Above uses performance fee rate of 20% for informational purpose only. In addition, "HWM" an abbreviation of High-Water Mark.

(Note 3)In case performance fee recognized on record date for fund, "HWM" is revised.

Breakdown of Operating and General Administrative Expenses



- Personnel expenses increased due to an increase in provision for bonuses as a result of an increase in operating profits.
- Excluding expense mentioned above, ordinary expenses reduced by 2.2% year-on-year.

(Units: Millions of yen)	FY2020		FY2021	
	Apr.2020-Jun.2020	Full Year	Apr.2021-Jun.2021	YoY change
Commissions paid	378	1,690	380	+0.5%
Personnel exp.	698	3,403	809	+16.0%
Travel exp.	2	32	9	+231.0%
Property rent	73	291	66	-9.4%
Entrusted business expenses	285	1,119	247	-13.3%
Depreciation on fixed assets	72	282	59	-18.3%
Advertising exp.	13	116	24	+85.7%
Research exp.	79	320	83	+5.8%
Other expenses	179	690	159	-10.9%
Total: Operating and general administrative expenses	1,782	7,946	1,841	+3.3%
Ordinary expenses	1,203	4,848	1,176	-2.2%

(Note1) The figures above, excluding "YoY change" are truncated. "YoY change" is rounded to the nearest tenth of a percent.

(Note2) The "Personnel expenses" data includes payments for legal welfare, bonus and temporary staff, etc. other than salary.

(Note3) The "Ordinary expenses" is calculated by deducting (1) Commissions paid, (2) Bonuses (including allowance for bonuses, legal welfare expenses related to bonuses, and ESOP expense) and (3) Severances package for key members, from total operating and general administrative expenses; hereinafter the same applies in this document.

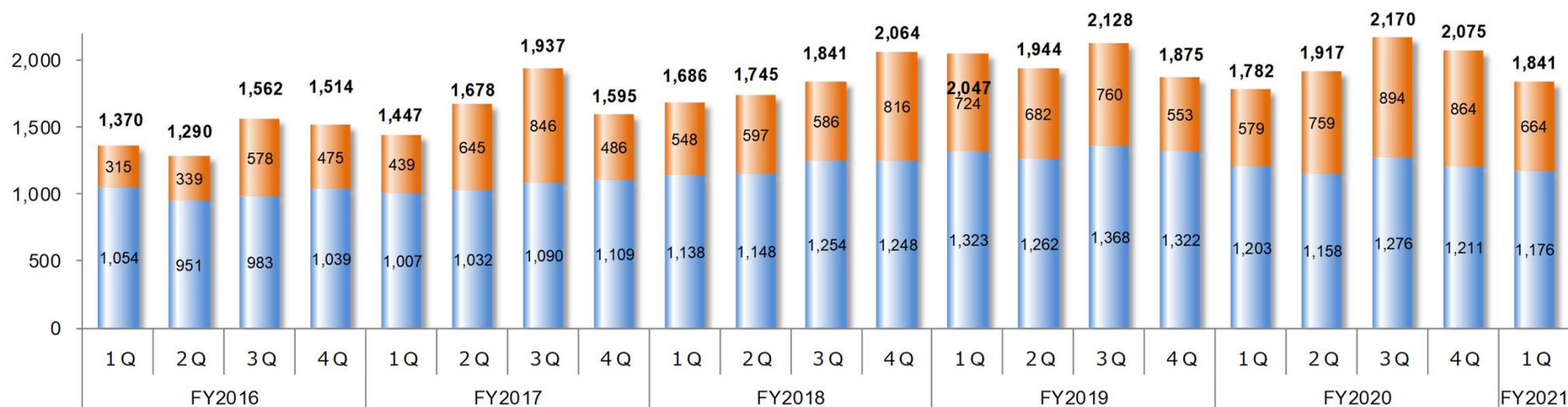
Quarterly Operating and General Administrative Expenses



Although the recent ordinary expenses have decreased because of COVID-19, Cost-control taken continuously and cautiously, considering the increase of ordinary expenses, in the midst of business expansion

(Units: Millions of yen)

■ Ordinary expense ■ Commissions paid & Bonus

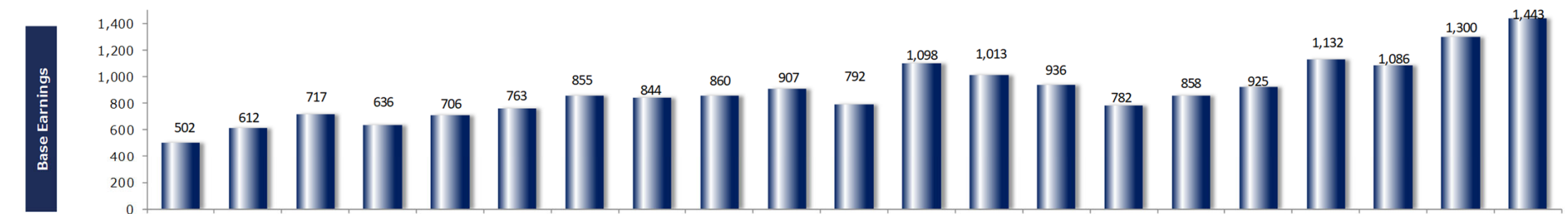
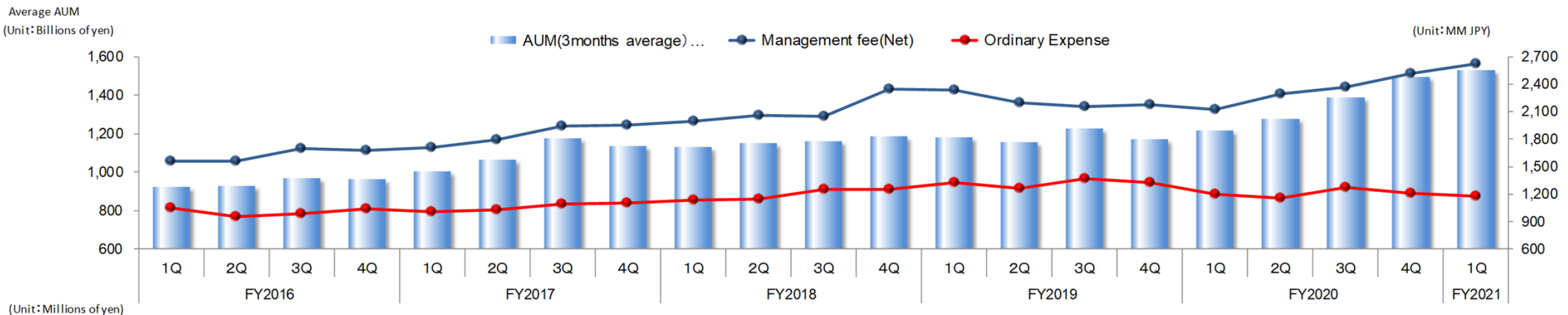


(Units : Millions of yen)	FY2016				FY2017				FY2018				FY2019				FY2020				FY2021
	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q
Ordinary expenses	1,054	951	983	1,039	1,007	1,032	1,090	1,109	1,138	1,148	1,254	1,248	1,323	1,262	1,368	1,322	1,203	1,158	1,276	1,211	1,176
Commissions paid & Bonuses	315	339	578	475	439	645	846	486	548	597	586	816	724	682	760	553	579	759	894	864	664
Operating and general administrative expenses	1,370	1,290	1,562	1,514	1,447	1,678	1,937	1,595	1,686	1,745	1,841	2,064	2,047	1,944	2,128	1,875	1,782	1,917	2,170	2,075	1,841

Quarterly Base Earnings



Base earnings remained solid due to increase management fee and decrease our expenses.



(Unit : MM JPY)	FY2016				FY2017				FY2018				FY2019				FY2020				FY2021
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
AUM(3months average) (Unit:Billions of yen)	923.3	927.0	970.3	963.1	1,001.8	###	###	###	1,131.0	1,151.0	1,159.8	1,186.9	1,180.1	1,153.6	1,229.0	1,173.4	1,215.7	1,278.3	1,388.4	1,492.9	1,530.6
Management fee(Net)	1,557	1,563	1,701	1,675	1,713	1,795	1,945	1,953	1,998	2,056	2,047	2,347	2,336	2,198	2,150	2,180	2,128	2,290	2,362	2,511	2,620
Ordinary Expense	1,054	951	983	1,039	1,007	1,032	1,090	1,109	1,138	1,148	1,254	1,248	1,323	1,262	1,368	1,322	1,203	1,158	1,276	1,211	1,176
Base Earnings	502	612	717	636	706	763	855	844	860	907	792	1,098	1,013	936	782	858	925	1,132	1,086	1,300	1,443

(Note) As preliminary figures, the 「Management fee (Net)」 is calculated by multiplying the management fee rate (after the deduction of commission paid) and the average AUM for the period.

As of June 2021 Consolidated Balance Sheet (1)



(Units: Millions of yen)

The industry the Company belongs to is significantly influenced by economic and market conditions. Thus, the balance is maintained conservatively. The amount is kept as three years' worth of ordinary expenses level which calculated by "Cash and Cash Equivalent" minus "Interest-Bearing Debt" plus highly liquidity "Investment Securities" with consideration of potential value decline.

Cash and Cash Equivalent 14,596	Interest-Bearing Debt 9,000
Receivables etc. 4,677	Other Liabilities 4,336
Tangible&intangible Assets 842	Net Assets 22,152
Investment Securities 12,968	
Other Assets 2,405	
Total Assets 35,488	Liabilities & Net Assets 35,488

Equity Ratio

62.4%

Mostly seed money to funds that the Company manages

As of Jun. 2021 Consolidated Balance Sheet (2)



(Units: Millions of yen)	Mar. 2021	Jun. 2021	YoY change
Current assets	23,541	20,390	-3,150
Cash and cash equivalents	19,935	14,596	-5,339
Receivables	3,161	4,677	+1,515
Fixed assets	14,419	15,099	+679
Goodwill	0	0	-
Investment securities	11,922	12,968	+1,045
Total assets	37,961	35,490	-2,470
Short-term loans payable	2,000	2,000	-
Current portion of long-term loans payable	5,000	5,000	-
Long-term loans payable	2,000	2,000	-
Payables	4,011	1,153	-2,857
Provision for bonuses, ESOP	512	796	+284
Total liabilities	14,702	13,337	-1,364
Common stock	8,587	8,587	-
Add'l paid-in-capital	2,555	2,555	-
Retained earnings	13,116	11,781	-1,335
Treasury stock	-3,549	-3,435	+114
Total Shareholder's Equity	20,709	19,488	-1,221
Valuation difference on AFS securities	1,498	1,618	+119
Foreign currency translation adjustment	1,048	1,044	-4
Non-controlling interests	0	0	-
Total net assets	23,258	22,153	-1,105

Decreased due to the investment in seed money, payment of dividends and bonuses, etc.

Increased mainly due to an increase in management fee receivable and an increase in receivable from the sale of a portion of our investment securities

Increased mainly due to the investment in seed money and increase in market value of existing holdings

Decreased mainly due to payment of bonuses and taxes

Payment of dividend : ▲JPY 2,231MM
 Profit attributable to owners of parent FY2021 1Q : +JPY 1,064MM
 Cumulative effect of adopting the new revenue recognition standard: ▲JPY168MM

Increase mainly due to rise in market value of investment securities (seed money investment)

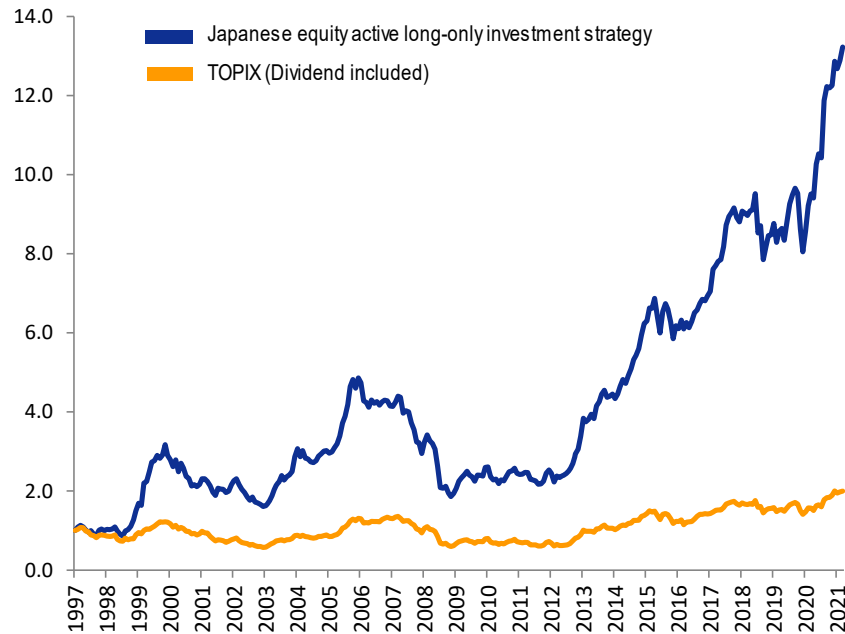
(Note1) Figures above are truncated.

(Note2) Investment securities include the seed money of the Company funds.

Primary Investment Strategies: Composite Returns Since Valuation Began ①



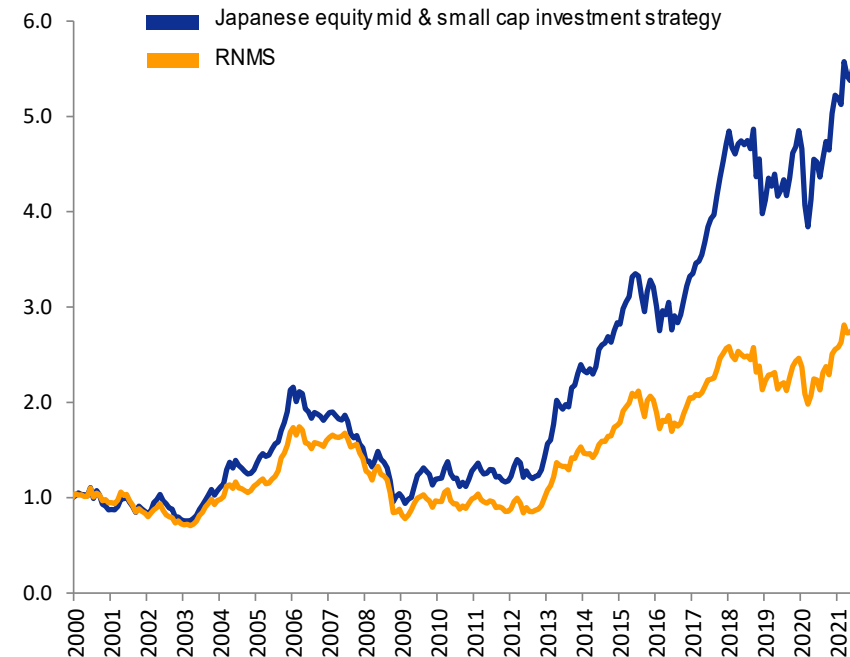
Japanese Equity Active Long-Only investment strategy



(Annualized Return)

Japanese equity active long-only investment strategy	11.28%	Reference Index	TOPIX (Dividend included)
Reference Index	2.90%	Measurement Period	1997/5 ~2021/6
Excess Return	8.37%	Volatility of Composite Return (Annualized)	20.19%

Japanese Equity Mid & Small Cap investment strategy



(Annualized Return)

Japanese equity mid & small cap investment strategy	8.28%	Reference Index	Russell/Nomura Mid-Small Cap Index
Reference Index	4.86%	Measurement Period	2000/1 ~2021/6
Excess Return	3.42%	Volatility of Composite Return (Annualized)	17.76%

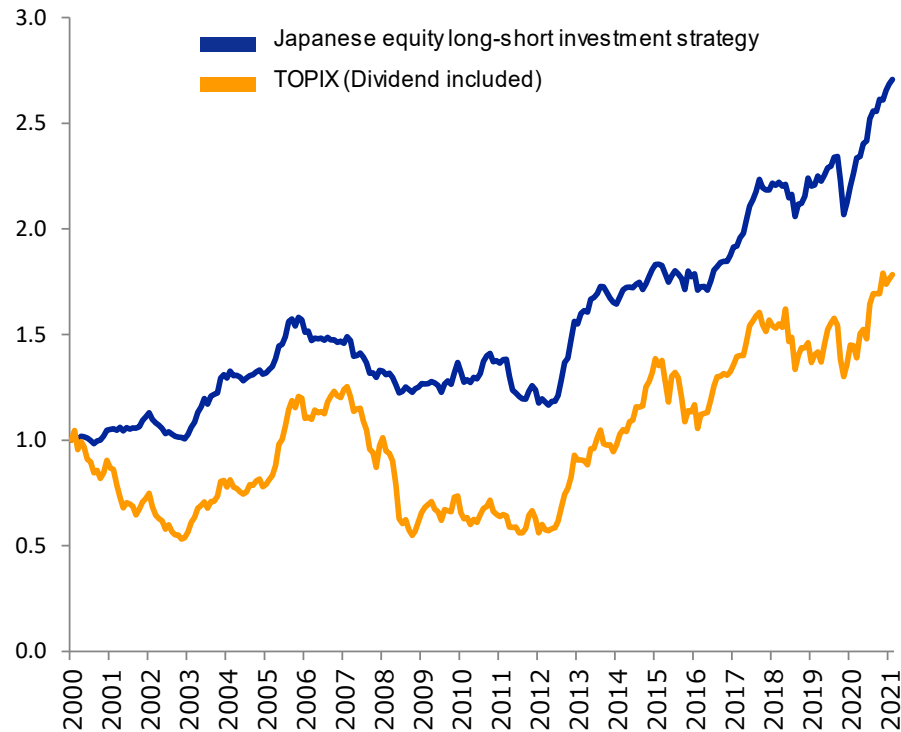
Be sure to read the additional materials appended to the end of this presentation.

Source: SPARX Group (as of June 30, 2021)

Primary Investment Strategies: Composite Returns Since Valuation Began ②



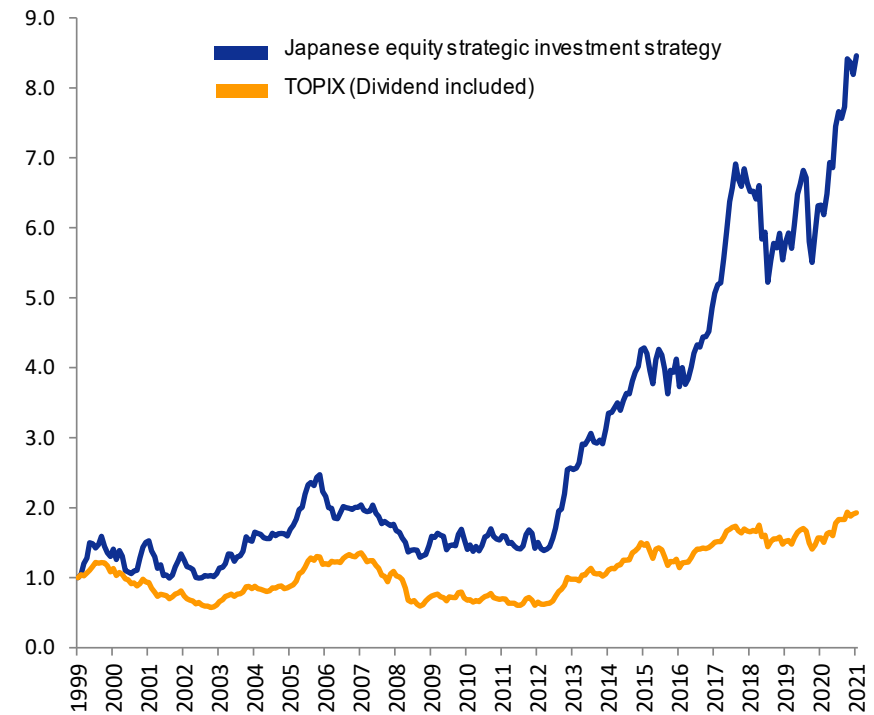
Japanese Equity Long-Short investment strategy



(Annualized Return)

Japanese equity long-short investment strategy	4.84%	Reference Index	TOPIX (Dividend included)
Reference Index	2.78%	Measurement Period	2000/6 ~2021/6
Excess Return	2.05%	Volatility of Composite Return (Annualized)	7.45%

Japanese Equity Strategic investment strategy



(Annualized Return)

Japanese equity strategic investment strategy	10.19%	Reference Index	TOPIX (Dividend included)
Reference Index	3.03%	Measurement Period	1999/7 ~2021/6
Excess Return	7.16%	Volatility of Composite Return (Annualized)	19.93%

Be sure to read the additional materials appended to the end of this presentation.

Source: SPARX Group (as of June 30, 2021)



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Composite details

A detailed account of all composite lists and other content from the firm is available upon request.

Contact: Global Business Development Division, SPARX Asset Management Co., Ltd. (Tel. +81-3-6711-9200)

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This report includes statements related to investment trusts that SPARX Asset Management manages. Note the following points:

Notes on Investment Trusts

The following statements are presented in compliance with Article 37 of the Financial Instruments and Exchange Act. Note that their content may differ from the costs or risks that apply to the individual investment trusts that clients actually purchase. The costs and fees associated with the funds differ according to the marketing companies and the individual investment trust, so these statements express the maximum amounts for all fees that SPARX Asset Management collects for the investment trusts it manages. In the event that a party wishes to purchase a specific investment trust, we ask that the party makes his/her ultimate investment decision at his/her own discretion after reviewing the investment trust’s prospectus, which is available immediately upon request.

About Risks Related to Investment Trusts

Investment trusts invest mainly in stocks, public bonds, and real estate investment securities of fluctuating value (assets in foreign currencies also include exchange risks), so their net asset values (NAV) will fluctuate. Therefore, the investment trusts do not guarantee returns on invested capital, and they may incur losses due to declines in NAVs, primarily attributable to transaction price and currency fluctuations in relevant markets, resulting in balances dropping below originally invested amounts. These management-caused losses wholly belong to all beneficiaries.

Specialized funds differ from diversified general investment trusts in that they manage a narrower scope of stocks. Thus, they are much more likely to experience NAV fluctuations, regardless of market trends.

Long-short strategy funds operate from a short position, meaning that when shorted stocks see share price growth, fund NAVs will fall. Moreover, situations in which both long and short positions incur losses significantly raise the possibility of loss to investors, compared to that for normal equity investment trusts.

These risks include only a portion of the risks related to investment trusts, and the details and nature of the risks differ according to the type of assets targeted, investment restrictions, transaction exchange, and countries targeted for each investment trust.

About Costs Related to Investment Trusts (Publicly Offered Investment Trusts)

The maximum expenses (fees) for SPARX's investment trusts (publicly offered investment trusts) are as follows:

- Direct costs

Fees at time of purchase: Up to 3.85% (after tax)

Liquidation fees: None

Investment trust asset reserves: Up to 0.5%

- Indirect costs during investment in investment trusts

Trust commission: Up to 2.09% annually (after tax)

Performance commission (*): Some investment trusts may require performance commissions.

*The amount of performance commissions varies per the NAV level, so it is not possible to indicate a maximum amount in advance.

Other costs and fees: Auditing costs; sales commissions generated by composite marketable securities (including funds) transactions, which include costs for creating prospectuses or investment reports; costs required for futures or options transactions; and custodial costs for assets in foreign currencies. When composite marketable securities are funds, they may charge for other expenses, including fiduciary trust company and custodial firm fees. These fees vary per management conditions, so it is not possible to indicate their maximum amounts in advance.

The total cost of fees differs according to the period of ownership, so these fees cannot be shown.

They also differ according to investment trust, so contact your dealer for more details.

Issuing Corporation

SPARX Asset Management Co., Ltd.

Financial Services Provider Registration Number: Director of Kanto Local Finance Bureau, No. 346

Memberships: The Investment Trusts Association, Japan; Japan Investment Advisers Association; Japan Securities Dealers Association; and Type II Financial Instruments Firms Association

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